

Message Text

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PAGE 01 LONDON 15984 260957Z
ACTION EUR-12

INFO OCT-01 ISO-00 SP-02 USIA-15 AID-05 EB-08 NSC-05
SS-15 STR-05 OMB-01 CEA-01 CIAE-00 COME-00 FRB-01
INR-07 NSAE-00 XMB-04 OPIC-06 LAB-04 SIL-01 L-03
PA-02 PRS-01 /099 W
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FM AMEMBASSY LONDON
TO SECSTATE WASHDC PRIORITY 8657
TREASURY DEPT WASHDC PRIORITY

UNCLAS LONDON 15984

E.O. 11652: N/A
TAGS: ECON, UK
SUBJECT: UK EXCHANGE RATE POLICY

1. BRITISH QUALITY PRESS ON THURSDAY AND FRIDAY, SEPTEMBER 22 AND 23, CONTAINED EXCERPTS FROM UNDERSECRETARY SOLOMON'S PRESS CONFERENCE NOTING THAT BRITAIN WAS IN A "RATHER CURIOUS SITUATION" AT THE MOMENT IN HOLDING STERLING DOWN "BUT THERE IS CERTAINLY NOT ENOUGH INFORMATION TO SAY THAT THE U.K. IS VIOLATING THE INTENT OF THE IMF GUIDELINES."

2. FINANCIAL TIMES SEPTEMBER 23 EDITION CARRIED AN ARTICLE BY PETER RIDDELL, ECONOMIC CORRESPONDENT, TO EFFECT THAT: QUOTE THE TREASURY IN LONDON SAID THAT BRITISH POLICY WAS IN FULL ACCORDANCE WITH THE EXCHANGE RATE SECTION OF LAST DECEMBER'S LETTER OF INTENT TO THE FUND ASSOCIATED WITH THE \$3.9 BILLION STANDBY FACILITY.

THE LETTER SAID THAT INTERVENTION IN THE EXCHANGE MARKET WOULD BE "DESIGNED TO MINIMIZE DISRUPTIVE SHORT-TERM FLUCTUATIONS IN THE RATE AND TO MAINTAIN STABILITY IN THE EXCHANGE MARKETS CONSISTENTLY WITH THE CONTINUED MAINTENANCE OF THE COMPETITIVE POSITION OF U.K. MANU-
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FACTURERS BOTH AT HOME AND ABROAD."

THIS STATEMENT CONTAINS CERTAIN AMBIGUITIES IN ITS PRACTICAL IMPLICATIONS. BUT IT IS ARGUABLE THAT WITH THE U.K. INFLATION RATE STILL MUCH HIGHER THAN THE INTERNATIONAL AVERAGE, THE U.K.'S ACTION IN HOLDING DOWN STERLING IS CONSISTENT WITH THE IMF UNDERTAKINGS BY PREVENTING A LARGER EROSION OF THE COMPETITIVE POSITION

THAN WOULD OTHERWISE HAVE OCCURRED. UNQUOTE

BREWSTER

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: POLICIES, FOREIGN EXCHANGE RATES
Control Number: n/a
Copy: SINGLE
Sent Date: 26-Sep-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01-Jan-1960 12:00:00 am
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977LONDON15984
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Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D770349-0762
Format: TEL
From: LONDON
Handling Restrictions: n/a
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Legacy Key: link1977/newtext/t19770922/aaaaasre.tel
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TAGS: ECON, EFIN, UK
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